

EXHIBIT V

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

- - - - - x

THE ERICA P. JOHN FUND, INC., On Behalf
of Itself and All Others Similarly
Situated,

Plaintiff,

Civil Action No.:

-against-

3:02-CV-1152-M

HALLIBURTON COMPANY and DAVID J. LESAR,

Defendants.

- - - - - x

Videotaped oral deposition of LUCY
ALLEN, taken pursuant to notice, was
held at the law offices of BOIES
SCHILLER & FLEXNER LLP, 575 Lexington
Avenue, New York, New York, commencing
September 22, 2014, 9:09 a.m., on the
above date, before Leslie Fagin, a Court
Reporter and Notary Public in the State
of New York.

- - -

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1 APPEARANCES:

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6 BY: CARL E. GOLDFARB, ESQUIRE
7 DAVID NELSON, ESQUIRE

8 -and-

9 KAHN, SWICK & FOTI, LLC
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11 New York, New York 10177
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13 BAKER, BOTTS, LLP
14 Attorneys for Defendant

15 910 Louisiana Street
16 Houston, Texas 77002-4995

17 BY: DAVID STERLING, ESQUIRE

18 ALSO PRESENT:

19 CHAD COFFMAN, Global Economics Group

20 JAMES CHRISTE, Videographer
21
22
23
24
25

1 THE VIDEOGRAPHER: We are now on
2 the record and recording.

3 This begins disk No. 1 in the
4 deposition of Lucy Allen in the matter
5 of the Erica P. Fund, Inc., et al.,
6 versus Halliburton Company and David
7 Lesar in U.S. District Court for the
8 Northern District of Texas, Dallas
9 Division.

10 Today is September 22, 2014. The
11 time is 9:09 a.m.

12 This deposition is being taken at
13 575 Lexington Avenue in New York at the
14 request of Carl Goldfarb.

15 The videographer is James Christe.
16 The court reporter is Leslie Fagin.

17 Will counsel state their appearance
18 and who they represent.

19 MR. GOLDFARB: Carl Goldfarb from
20 Boies Schiller on behalf of the
21 plaintiff.

22 MR. NELSON: David Nelson, Boies
23 Schiller on behalf of plaintiff.

24 MS. MILLER: Kim Miller, Kahn Swick
25

1 L. Allen

2 & Foti, also for plaintiff.

3 MR. GOLDFARB: Also with us is Chad
4 Coffman from Global Economics Group.

5 MR. STERLING: David Sterling,
6 Baker Botts, for the defendants.

7 L U C Y A L L E N, called as a witness,

8 having been duly sworn by a Notary

9 Public, was examined and testified as

10 follows:

11 EXAMINATION BY

12 MR. GOLDFARB:

13 Q. Good morning, Ms. Allen.

14 A. Good morning.

15 Q. About how many times have you been
16 deposed before?

17 A. I don't know. My report lists my
18 testimony in the last four years, I believe
19 so, and it's been more times than that, so
20 prior to four years, I've also been deposed.

21 Q. I'm just going to go over some
22 ground rules, although I'm sure you are
23 familiar with them.

24 If I ask a question and your
25 counsel doesn't instruct you to not answer,

1 L. Allen

2 you are required to answer if you understand
3 the question.

4 Do you realize that?

5 A. Yes.

6 Q. Is there anything that would keep
7 you from testifying truthfully and accurately
8 today, any medication you are on or anything
9 like that?

10 A. No.

11 Q. If I ask a question and you don't
12 understand it, you can tell me that.

13 If you answer a question, I'm going
14 to assume you understand it, is that fair?

15 A. Yes.

16 Q. If you need to take a break for
17 some reason, if you let me know, I'm not
18 going to take a break instantly, but I will
19 try to take a break after a line of
20 questions, so please let me know if you need
21 to use the facilities or whatnot.

22 A. Okay.

23 Q. About how many expert reports have
24 you done in Federal securities cases, do you
25 know?

1 L. Allen
2 at the 95 percent level, no matter what index
3 or how you control for peers or market.

4 Q. That's over the two days, one day
5 is 90 percent, one day is 99 percent, over
6 the two days, it's 95 percent. Was that not
7 what you found in this case?

8 A. I don't know if that's what I
9 found. This says, I think the movement would
10 be statistically significant.

11 Q. I'm going to show you now what I am
12 marking as Exhibit 3, which is your expert
13 report in this case.

14 MR. STERLING: "This case" being?

15 MR. GOLDFARB: The same case we are
16 talking about, In Re: Lawrence.

17 Q. I believe you did two expert
18 reports, this is the one in 2003 and it's
19 open to page 3. If you could look at the
20 bottom paragraph on that page, please.

21 (Allen Exhibit 3, Expert Report of
22 Lucy P. Allen, In Re: Lawrence Group,
23 Inc. versus Barton, et al., marked for
24 identification.)

25 Q. Here, it says, defendants say --

1 L. Allen

2 A. No, I cannot.

3 Q. If you look at the front page of
4 it, that's available on West Law, it says,
5 Expert Report of Lucy P. Allen, In Re:
6 Lawrence Group, Inc. versus Barton, et al.?

7 A. I see that. This isn't the format
8 or the look of what a report of mine would
9 have, so if this is my report, it just
10 wouldn't have looked like this as I put it
11 together.

12 Q. This is -- I will represent this is
13 the form it takes when you print it off West
14 Law.

15 Do you have any reason to think
16 this is not your report or an accurate copy
17 of your report given, even though the format
18 might look a little different?

19 A. I don't know. I would have to look
20 at it. I'm just saying -- just from -- it's
21 just not the look of a report that I would
22 do.

23 Q. Do you have any reason to think
24 what you read out loud is not what you wrote
25 in an expert report in this case at that

1 L. Allen
2 would you read the paragraph at the very
3 bottom of the page?

4 MR. STERLING: Which page?

5 MR. GOLDFARB: Page 3.

6 Q. Could you read in the record, The
7 defendants claim that the increase.

8 A. Defendants claim that the increase
9 in the claim of MTI stock was not
10 attributable to the announcement of the ADL
11 demonstration. The earliest story we find
12 reporting on the ADL demonstration is at 8:00
13 a.m. on October 21, 1997. After controlling
14 for movement in an index of peer companies,
15 we find a statistically significant positive
16 reaction on October 21st at the 90 percent
17 significance level. In addition, we find a
18 statistically significant market adjusted
19 stock return at the 99 percent level on
20 October 20th, the date preceding the
21 announcement. See Exhibit 3.

22 Q. That's enough.

23 If you look at this, can you
24 confirm that this is an expert report you
25 prepared in this case?

1 L. Allen

2 time?

3 A. I don't have a specific reason, no.

4 Q. Do your colleagues at NERA
5 sometimes use two-day reports?

6 MR. STERLING: You mean two-day
7 windows?

8 MR. GOLDFARB: Thank you.

9 Q. In doing event studies, do your
10 colleagues at NERA sometimes use two-day
11 windows?

12 A. As a general approach, as I
13 generally described, and I believe that same
14 approach is followed by my colleagues and I
15 don't --

16 Q. I'm going to show you what I have
17 marked as Exhibit 4, Allen Exhibit 4, which
18 is a study by David Tabak and Frederick
19 Dunbar, Materiality of Magnitude Event
20 Studies in the Courtroom.

21 (Allen Exhibit 4, study by David
22 Tabak and Frederick Dunbar, Materiality
23 of Magnitude Event Studies in the
24 Courtroom, marked for identification.)

25 Q. I would like to ask you to -- do

1 L. Allen
2 you see on page 7, under B, there is a few
3 paragraphs under the event window and if you
4 look at the top of page 8, you see it says,
5 In securities fraud cases, many experts have
6 adopted the convention of looking at one, two
7 or five-day periods following an
8 announcement. The most recent academic
9 announcements express support for the shorter
10 one or two-day window, although it recognizes
11 that, in practice, longer windows are often
12 used, is that correct? Did I read that
13 correctly?

14 A. Yes.

15 Q. And is Mr. Tabak one of the people
16 who you said was -- I don't remember the
17 terminology, independent reviewer or outside
18 reviewer of your report in this case?

19 A. That's correct.

20 Q. And I believe he is also the person
21 you cited to when you were referencing a
22 decision to use one type of correction for
23 multiple event testing as opposed to another,
24 right?

25 A. Correct.

1 L. Allen
2 Q. Now, you say that -- talking about
3 the December 21st and 22nd days, you say, The
4 allegation that the market did not react to a
5 piece of news for almost two full trading
6 days and then reacted to it is inconsistent
7 with the conclusion that Halliburton stock
8 traded in an efficient market, right? Do you
9 say that on page 59 of your report?

10 A. Yes, I believe that's correct.

11 Q. Now, if you look at page 44 of your
12 report, and you look at December 21st and
13 December 22nd on page 44, there is a chart?

14 A. Yes.

15 Q. The stock does go down somewhat on
16 December 21st, does it not, and then
17 experiences a larger drop later in the day on
18 December 22nd, the following day in the
19 afternoon?

20 A. I'm sorry, what are you saying?
21 The stock does what?

22 Q. Goes down some on December 21st and
23 goes down more in the afternoon of the 22nd?

24 A. The movement on December 21st,
25 according to my event study, as well as

1 L. Allen
2 plaintiff's expert, Ms. Nettesheim's, event
3 study, there is no statistically significant
4 price reaction on December 21st.

5 Q. I didn't ask you if there was a
6 statistically significant price reaction.

7 I asked whether this chart shows
8 that the stock went down on December 21st and
9 went down more on December 22nd?

10 A. I don't know that that's what I
11 see. The stock moves around a little bit on
12 December 21st. I have done a statistical
13 test of whether the stock price is moving in
14 a statistically significant manner on
15 September 21st, as has plaintiff's expert,
16 Ms. Nettesheim, and neither of us has found
17 that the stock price is statistically
18 significant.

19 MR. GOLDFARB: I would like to go
20 off the record.

21 THE VIDEOGRAPHER: It's 6:09. We
22 are off the record.

23 (Recess.)

24 THE VIDEOGRAPHER: It's now 6:21
25 and we are back on the record.

1 L. Allen
2 Q. Ms. Nettesheim -- my apologies --
3 Ms. Allen, in any other case, have you looked
4 at regression for the year following the
5 class period to draw any instances about what
6 happened during the class period?

7 A. Yes, I believe so, but as I sit
8 here, it wouldn't come to mind specifically.

9 Q. So you believe so, but you can't
10 name a case in which you have done that?

11 A. That's right, I couldn't classify
12 cases in my mind by that particular aspect,
13 so I do believe I have done that, but I
14 can't, as I sit here, think when.

15 Q. Can you describe anything about any
16 case in which you would have done that?

17 A. I don't have a specific
18 recollection. I mean, I can't think I -- I
19 would believe I would have done that, I don't
20 have any specific case, does not come to
21 mind.

22 Q. I'm not asking you what you believe
23 you would have done. I'm not asking you what
24 you have a specific recollection of.

25 I'm asking, as you sit here, can

1 L. Allen
2 you identify any case in which you have done
3 that, even if you can't remember the name of
4 the case?

5 A. I don't have a specific
6 recollection. My belief is that I would have
7 done it, but I can't recall a specific
8 instance, though.

9 Q. Have you ever, in any other case,
10 looked at the volatility of other companies
11 to make inferences about what effect did the
12 stock price of a different company?

13 MR. STERLING: Do you mean applied
14 volatility?

15 MR. GOLDFARB: Yes. Thank you.

16 A. I believe so.

17 Q. Can you identify any case in which
18 you've done that?

19 A. Not that I can specifically recall,
20 no.

21 Q. Can you identify any textbook, case
22 or other authority that endorses the
23 methodology that you've used in this case in
24 drawing your conclusion that none of the
25 alleged corrective disclosures affected the

1 L. Allen
2 sort of finance or academic context because
3 there would not be a class period, except in
4 a legal context, sure, there have been
5 articles talking about event studies that
6 describe different periods, this may be one,
7 this may make --

8 Q. That talk about using a post -- a
9 period for a year after the event in question
10 to do a regression and then draw inferences
11 on what happened to the day or days prior to
12 that year?

13 A. Yeah. So, for example, sure. For
14 one, I'm not sure that's what I've actually
15 done in this case. I'm not sure why you are
16 asking that question, but, yes, I think there
17 are a number of articles that I have seen
18 that have discussed that -- the period over
19 which the regression is run can be a period
20 before a class period, can be a period during
21 the class period and sometimes be a period
22 after a class period.

23 Q. Separate question. In the
24 situation where you have a divergence between
25 the market reaction to a piece of news and a

1 L. Allen
2 Halliburton stock price?

3 A. Sure. I could point to academic
4 authorities that use methods that I am
5 describing or whose methodologies and
6 findings are consistent with the approaches
7 that I have taken here.

8 Q. Can you give me an example of an
9 academic authority and tell me which of the
10 methodologies it is consistent with?

11 A. Well, I mean, this is -- for
12 example, one of the things --

13 Q. In the interest of time, I will
14 rephrase the question.

15 Can you think of any academic
16 authority that supports the use of a
17 regression after the class period to make
18 inferences about what happened during the
19 class period?

20 A. This paper that you've talked
21 about, when you talk about academic
22 authorities and you are talking about a class
23 period, it would have to be an academic
24 authority that's talking about an event study
25 in a legal context, rather than in another

1 L. Allen
2 stock analyst's reaction to a piece of news,
3 how do you decide if the market is right or
4 the analysts are right?

5 MR. STERLING: Objection. Form.

6 A. I don't think that's a fully
7 developed question or hypothetical, so I'm
8 not sure how to answer that.

9 Q. There can be more, obviously,
10 specifics in the hypothetical, but if a stock
11 price, say, goes significantly down and the
12 analysts say that's an overreaction, how do
13 you decide if the analyst is right, that it's
14 an overreaction or the market is right? What
15 kind of things would you look for?

16 A. Regarding an overreaction?

17 Q. An alleged overreaction.

18 A. Well, there are a number of things.
19 One way to look at an overreaction is if
20 there is a later correction, so if the market
21 goes down a lot and then rebound, that, in
22 itself, would be generally consistent with an
23 overreaction. That might be one piece of
24 evidence.

25 What some of the academic

1 L. Allen
2 literature does in terms of -- so there is
3 some academic literature on market efficient
4 that looks at whether the market consistently
5 overreacts and one of the things is that --

6 Q. Besides a rebound, what, if
7 anything, else would you look at to determine
8 whether or not the market is overreacting or
9 the analysts are wrong? If the analysts are
10 saying it's an overreaction, you could look
11 to see if the market rebounds. What, if
12 anything, else would you look to?

13 A. Well, we would have to think more
14 about what your question is. What do you
15 mean, the analysts are wrong? So I guess we
16 would have to say, what do you mean by an
17 overreaction?

18 Q. An overreaction, the analysts are
19 saying that the stock price drop was not
20 justified, the market overreacted to some
21 news, I'm trying to get, in your view, how do
22 you decide who is right, the analyst or the
23 market?

24 A. I don't think that's a question
25 that I'm particularly looking at here and I

1 L. Allen
2 would have to understand what you mean by who
3 is right.

4 Oftentimes, it's important to know
5 what the analysts, in general, are thinking.
6 Is this different than what their
7 expectations were and if they're saying that
8 the market reacted differently than their
9 expectations, that, in itself, can be
10 information that can be important, depending
11 on what your question, your study.

12 Q. As you sit here, can you think if
13 there is anything else you would look at
14 besides a rebound that you would look at?

15 A. To answer what question? Your
16 question doesn't make sense to me.

17 Q. To determine whether the market has
18 overreacted to a piece of news when the stock
19 price has gone down, besides seeing if there
20 is a rebound, can you think of, as you sit
21 here, anything else you would look at to
22 determine whether the market got it right or
23 the analyst got it right?

24 A. Well, I don't know what you mean by
25 the market got it right or the analyst got it

1 L. Allen
2 right, but one of the -- one type of
3 information one can look at to see if a
4 market is overreacting is whether analysts
5 who were studying the stock think that the
6 market overreacted.

7 Another type of analysis one could
8 do to analyze whether there is stock
9 overreacted is to see when similar
10 information is announced, is there the same
11 reaction or is this reaction bigger or
12 different than what had other times happened
13 when the same information was announced.
14 There are other types of analyses where some
15 of which the analysts are doing in this case,
16 were to take the actual market reaction in
17 terms of a dollar amount and look at the
18 information that's being announced and
19 saying, how big an effect would this
20 information have to be from a valuation
21 standpoint in order to justify that kind of
22 market price reaction, so you can do some
23 sort of ground up valuation analysis of the
24 specific components of an announcement to see
25 if the market reaction makes sense from a

1 L. Allen
2 valuation standpoint.

3 Q. Would you also look at the
4 long-term reaction of the stock price?

5 MR. STERLING: That was the last
6 question.

7 MR. GOLDFARB: That's fine.

8 A. I'm sorry?

9 Q. Would you also look at the
10 long-term reaction of the stock price?

11 A. The long-term reaction of the stock
12 price, what do you mean by that?

13 Q. What happens in the weeks and
14 months following the alleged overreaction?

15 A. If you are just talking about one
16 company's stock price, I think perhaps you
17 can do that, yes. I think that may be more
18 difficult if there is more information coming
19 out, so I think some of the academic articles
20 do that. If you do a whole cross section of
21 companies, if you look at a whole bunch of
22 companies, it may be easier to look over a
23 longer time period because you can think that
24 individual things that might effect one
25 company might not -- might sort of come out

Page 290

1 L. Allen
 2 in the wash when you are looking at a whole
 3 bunch of companies at one time. I think
 4 looking over a longer time period for one
 5 individual company, it can be a little harder
 6 to make a determination or I'm not sure what
 7 you would do with that. You would see the
 8 stock prices going up or down or whatever or
 9 mature over a longer time period, how much
 10 easier it would be to come to some
 11 conclusion, but that would be something you
 12 could look at.

13 MR. GOLDFARB: I think I'm out of
 14 time. No more questions.

15 THE VIDEOGRAPHER: The time is 6:36
 16 p.m.

17 (Time noted: 6:36 p.m.)
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Page 291

1 ---
 2
 3 I N D E X
 4 ---
 5

6 LUCY ALLEN PAGE
 7 By Mr. Goldfarb 4
 8
 9

10 ---
 11 E X H I B I T S
 12 ---

13 ALLEN EXHIBIT PAGE
 14 Exhibit 1 Report 40
 15 Exhibit 2 Lucy Allen's deposition 271
 16 testimony from September 2008
 17 in the case In Re: Lawrence
 18 Group, Inc. versus Barton, et al.
 19 Exhibit 3 Expert Report of Lucy P. 274
 20 Allen, In Re: Lawrence Group,
 21 Inc. versus Barton, et al.
 22 Exhibit 4 Study by David Tabak and 277
 23 Frederick Dunbar, Materiality
 24 Of Magnitude Event
 25 Studies in the Courtroom

Page 292

1 ---
 2
 3 DEPOSITION SUPPORT INDEX
 4 ---

5 Direction to Witness Not to Answer
 Page Line Page Line Page Line
 6 None
 7 ---

8 Request for Production of Documents
 Page Line Page Line Page Line
 9 None
 10 ---

11 Stipulations
 Page Line Page Line Page Line
 12 None
 13 ---

14 Questions Marked
 Page Line Page Line Page Line
 15 None
 16 ---
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 21
 22
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 24
 25

Page 293

1
 2 CERTIFICATE
 3

4 I HEREBY CERTIFY that the witness,
 5 LUCY ALLEN, was duly sworn by me and that the
 6 deposition is a true record of the testimony
 7 given by the witness.

8 _____
 9 Leslie Fagin,
 10 Registered Professional Reporter
 Dated: September 22, 2014

11 (The foregoing certification of
 12 this transcript does not apply to any
 13 reproduction of the same by any means, unless
 14 under the direct control and/or supervision
 15 of the certifying reporter.)
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Page 294

ACKNOWLEDGMENT OF DEPONENT

I, , do hereby
certify that I have read the foregoing pages,
and that the same is a correct transcription
of the answers given by me to the questions
therein propounded, except for the
corrections or changes in form or substance,
if any, noted in the attached Errata Sheet.

LUCY ALLEN DATE

Subscribed and sworn
to before me this
day of , 2014.
My commission expires:

Notary Public

Page 295

E R R A T A

PAGE LINE CHANGE